"Pharmacies received inadequate dispensing fees when dispensing medications. …the PBM provider agreements contained contracted dispensing fees of 0 cents, 25 cents, and 40 cents, depending on the contract. Based on the data provided by the PBM, the team concluded that the PBM inadequately paid dispensing fees to pharmacies."
— Illinois Department of Insurance, Caremark Examination Report (August 2025)[10]

Illinois Pharmacists Association
The Voice for Pharmacy in Illinois℠

A Transparent Cost-Plus Model That Protects Employers, Plan Sponsors, and Patients

HB4761 - Representative Natalie Manley

Illinois has taken meaningful action by prohibiting spread pricing through the Prescription Drug Affordability Act (PDAA). That reform addressed one pricing manipulation mechanism. However, broader structural concerns remain due to reliance on proprietary reimbursement benchmarks and opaque pricing methodologies that limit purchaser visibility, increase costs to plan sponsors, and destabilize pharmacy networks.

The Federal Trade Commission (FTC) has reported that dominant PBMs generate substantial revenues through pricing practices that include affiliated pharmacy markups and specialty generic price inflation across markets.[7] The FTC further found that PBM-affiliated pharmacies were reimbursed at significantly higher rates than unaffiliated pharmacies for certain drugs; in some instances 20 to 40 times higher than National Average Drug Acquisition Cost (NADAC).[7] These benchmark disparities distort competition, disadvantage independent and community pharmacies, and weaken patient access by concentrating dispensing within vertically integrated networks.

State audits reinforce the structural risk created by opaque benchmarks. Prior to reform, Ohio identified $224.8 million in spread pricing in one year,[2] and Kentucky documented $60.77 million in spread pricing before implementing a pass-through model that resulted in approximately $282.7 million in cost avoidance.[3,4] These examples demonstrate how pricing opacity and benchmark manipulation can generate material financial exposure. West Virginia's commercial reforms requiring 100% rebate pass-through produced actuarially documented premium reductions of 2% to 14% annually,[9] underscoring that transparency reforms benefit commercial plan sponsors and covered lives.

A central vulnerability in the current system is benchmark imbalance. Traditional PBM models often rely on proprietary Maximum Allowable Cost (MAC) lists or discount-based benchmarks that are not publicly verifiable. This opacity limits employer oversight, complicates actuarial forecasting, and creates conditions where reimbursement may fall below acquisition cost for pharmacies, contributing to network instability and pharmacy closures in underserved areas.

HB4761 addresses this structural imbalance by anchoring medication reimbursement to the **National Average Drug Acquisition Cost (NADAC)**, a publicly available, invoice-based benchmark published by the Centers for Medicare & Medicaid Services.[8] NADAC reflects actual pharmacy acquisition costs derived from national invoice surveys rather than proprietary internal pricing formulas. Pairing NADAC with a defined **$10.49 professional dispensing fee**[1] creates a transparent cost-plus reimbursement model.

The professional dispensing fee is not a tax and does not increase a drug's list price. The professional dispensing fee reflects the documented cost of safely delivering a prescription to a patient, including the pharmacist's clinical review and drug utilization screening, patient counseling, prescriber coordination, compliance with federal and state regulatory requirements, technology and claims processing systems, quality assurance, inventory management, and the operational overhead necessary to maintain a secure and compliant pharmacy practice. A defined dispensing fee ensures pharmacies are compensated for the professional service component of medication delivery, rather than relying solely on variable ingredient margins.

For plan sponsors and patients, a NADAC + professional dispensing fee model offers:

- A publicly verifiable ingredient benchmark
- Reduced benchmark manipulation and arbitrage risk
- Improved budget predictability
- Neutral reimbursement regardless of pharmacy ownership
- Stabilized pharmacy networks, particularly in rural and underserved communities

By complementing Illinois' anti-spread reforms with transparent, invoice-based reimbursement, HB4761 strengthens market accountability, protects competition, and promotes sustainable patient access to pharmacy care across both commercial and public markets.

Vote YES for HB4761!

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